

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

03 -- 005

2. STATE:

MAINE

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
CENTERS FOR MEDICARE AND MEDICAID SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE(S)

7/1/03, 8/1/03

5. TYPE OF PLAN MATERIAL (CHECK ONE):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:

a. FFY 03 \$ 900,000 reduction

b. FFY 04 \$5.6 million reduction

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
ATTACHMENT 4.19-B, P 1E-1H

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):  
ATTACHMENT 4.19-B, P 1E-1I

SUBJECT OF AMENDMENT: AMEND HOSPITAL OUTPATIENT REIMBURSEMENT

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED

COMMISSIONER, DEPT. OF HUMAN SERVICES

12. SIGNATURE OF STATE AGENCY OFFICIAL:

*Peter E. Walsh*

13. TYPED NAME:

PETER WALSH

14. TITLE:

Acting Commissioner, Maine Department of Human  
Services

15. DATE SUBMITTED: SEPTEMBER 29, 2003

16. RETURN TO:

CHRISTINE ZUKAS-LESSARD  
Acting Director, Bureau of Medical Services  
#11 State House Station

442 CIVIC CENTER DRIVE  
Augusta, ME 04333-0011

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

September 30, 2003

18. DATE APPROVED:

May 5, 2004

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2003; August 1, 2003

20. SIGNATURE OF REGIONAL OFFICIAL: -

21. TYPED NAME:

Bruce D. Greenstein

22. TITLE

Associate Regional Administrator, DMCH

23. REMARKS

Effective Dates:

7/1/03: Page 1h

8/1/03: Pages 1e, 1f, 1g, 1i

*Maine (03-005)*  
*Approved: 05/05/04*  
*Effective: 07/01/03*

**DEFINITIONS**Acute Care Critical Access Hospitals

A hospital licensed by the Department as a critical access hospital that is being reimbursed as a critical access hospital by Medicare.

Acute Care Non-Critical Access Hospitals

A hospital licensed by the Department as an acute care hospital that is not being reimbursed as a critical access hospital by Medicare.

MaineCare Paid Claims History

A summary of all claims billed by the hospital to MaineCare for MaineCare eligible members that have been processed and accepted for payment by MaineCare.

Private Psychiatric Hospital

A hospital that is primarily engaged in providing psychiatric services for the diagnosis, treatment and care of persons with mental illness and is not owned and operated by the State of Maine. The facility must be licensed as a psychiatric hospital by the Department of Human Services. A psychiatric hospital may also be known as an institution for mental diseases.

Prospective Interim Payment (PIP)

The weekly payment made to a non-State owned hospital based on the estimated total annual Department obligation as calculated below. For purposes of the PIP calculation, a MaineCare discharge for the most recently completed hospital fiscal year is one with a discharge date occurring within the hospital fiscal year and submitted prior to the time of calculation.

State Owned Psychiatric Hospital

A hospital that is primarily engaged in providing psychiatric services for the diagnosis, treatment and care of persons with mental illness and is owned and operated by the State of Maine. The facility must be licensed as a psychiatric hospital by the Department of Human Services. A psychiatric hospital may also be known as an institution for mental diseases (IMD).

**GENERAL PROVISIONS**Inflation

For purposes of determining inflation, unless otherwise specified, the economic trend factor from the most recent edition of the "Health Care Cost Review" from DRI/McGraw-Hill shall be used.

Third Party Liability

Any MaineCare claim submitted by a hospital may only be withdrawn within 120 days of the date received.

### Reconciliation and Settlement

At reconciliation and settlement, the hospital will reimburse the Department for any excess payments; or the Department will reimburse the amount of any underpayment to the hospital. In either case, the lump sum payment must be made within 30 days of the date of the letter notifying the provider of the results of the year end reconciliation or settlement. If more than one year's reconciliation or settlement is completed in the same proceeding, the net amount must be paid. If no payment is received within 30 days, the Department may offset prospective interim payments.

Hospitals are required to file with the DHS, Division of Audit a year-end cost report within five months from their fiscal year end. The cost report filing consists of: CMS Form 2552 or its equivalent, settled financial statements, and any other related documentation as requested by the DHS-Division of Audit. The cost report must include applicable MaineCare utilization and a calculated balance due to/from MaineCare.

## **ACUTE CARE NON-CRITICAL ACCESS HOSPITALS**

### Prospective Interim Payment

The Department of Human Services' total annual PIP obligation to the hospitals will be the sum of MaineCare's obligation for the following: outpatient services + outpatient hospital based physician costs. Third party liability payments are subtracted from the PIP obligation. The computed amounts are calculated as described below:

The MaineCare outpatient component of the PIP equals the lower of MaineCare outpatient costs or charges during the fiscal year for which the most recent as-filed cost report is available, inflated to the current year and reduced by a factor of 23% in State fiscal year 2004, and 25% in State fiscal year 2005. This factor may be amended by the Commissioner to be a value between 20% and 30% with 30 days written notice to providers.

MaineCare's share of clinical laboratory and radiology costs are added to this amount. The procedure codes and terminology of the Healthcare Common Procedure Coding System (HCPCS) are used to establish MaineCare allowances for clinical laboratory and radiology services.

MaineCare's share of outpatient hospital based physician costs, and outpatient third party liability are taken from the most recent hospital fiscal year end MaineCare cost report as filed with DHS Division of Audit, inflated to the current year.

All of these data elements are taken from the most recent hospital fiscal year end MaineCare cost report as filed with DHS Division of Audit, inflated to the current year.

### Interim Volume Adjustment

The hospital may request in writing or the Department may initiate a comparison of MaineCare claims data submitted in the first 150 days of the payment year to the projected number of discharges used in calculating the PIP payment. If there is a difference of at least 5% between the actual MaineCare inpatient volume and prospectively estimated MaineCare inpatient volume, an adjustment may be

---

Outpatient Hospital Services Detailed Description of Reimbursement

---

made to the outpatient PIP using actual outpatient cost to charge data

Year End Interim Settlement

The Department of Human Services' year end interim settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data source used for inpatient calculations will be discharges included in MaineCare paid claims history as measured by the Department. Other calculations will be based on the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

Final Settlement

The Department of Human Services' final settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data source used for inpatient calculations will be discharges included in MaineCare paid claims history as measured by the Department. Other components will be based on the hospital's settled cost report from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which reconciliation is being performed.

**ACUTE CARE CRITICAL ACCESS HOSPITALS AND STATE OWNED PSYCHIATRIC HOSPITALS**

All calculations made in relation to acute care critical access hospitals must be made in accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA), except as stated below, plus a DSH adjustment payment for eligible hospitals.

Prospective Interim Payment

The Department of Human Services' annual outpatient PIP obligation to the hospitals will be the sum of MaineCare's obligation of the following: outpatient services + outpatient hospital based physician costs. Third party liability payments are subtracted from the PIP obligation.

MaineCare outpatient costs are inflated to the current year using the most recent as-filed cost report.

MaineCare's share of hospital based physician costs are taken from the most recent hospital fiscal year end MaineCare cost report as filed with DHS Division of Audit, inflated to the current year.

Interim Volume Adjustment

The hospital may request in writing or the Department may initiate a comparison of MaineCare claims data submitted in the first 150 days of the payment year to the projected number of discharges used in calculating the PIP. If there is a difference of at least 5% between the actual MaineCare inpatient volume and prospectively estimated MaineCare inpatient volume, an adjustment may be made to the outpatient PIP using actual outpatient cost to charge data

Year End Interim Settlement

The Department of Human Services' year end interim settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

Final Settlement

The Department of Human Services' final settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's settled cost report from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which settlement is being performed.

**PRIVATE PSYCHIATRIC HOSPITALS**Prospective Interim Payment

Private psychiatric hospitals will be paid weekly prospective interim payments based on the Department's estimate of the total annual obligation to the hospital. The Department's total annual obligation shall be computed based on the hospital's negotiated percentage rate. The negotiated percentage rate shall be between 85% and 95% of the hospital's estimated outpatient charges, less third party liability.

Interim Volume Adjustment

The hospital may request in writing or the Department may initiate a comparison of MaineCare charges on claims submitted in the first 150 days of the payment year to the projected charges used in calculating the PIP payment. If there is a difference of at least five (5) per cent between the actual MaineCare inpatient charge data and prospectively estimated MaineCare charge data, an adjustment may be made to the outpatient PIP using actual outpatient charge data.

Year End Interim Settlement

The Department of Human Services' year end interim settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

Final Settlement

The Department's total annual obligation to a hospital will be computed based on the hospital's negotiated percentage rate. The obligation amount shall be greater than or equal to eighty-five (85) percent but not more than ninety-five (95) percent of the hospital's actual MaineCare charges from paid claims history, less third party liability.

**CLINICAL LABORATORY SERVICES**

Hospital laboratory services provided to a person not currently a patient of the hospital are considered outpatient hospital services and are reimbursable in accordance with MBM Chapter II, Section 55, Laboratory Services, or Chapter III, Section 90, Physician Services of the MaineCare Benefits Manual.

In the case of tissues, blood samples or specimens taken by personnel that are not employed by the hospital but are sent to a hospital for performance of tests, the tests are not considered outpatient hospital services since the individual does not receive services directly from the hospital.

Certain clinical diagnostic laboratory tests must be performed by a physician and are therefore exempt from the fee schedule. Updated lists of exempted tests are periodically sent to hospitals from Medicare.

Laboratory services must comply with the rules implementing the Clinical Laboratory Improvement Amendments (CLIA 88) and any applicable amendments.